Bethlehem Copper Corporation Ltd., Eighteenth Annual Report, 1972

Contents

	Page
The Year at a Glance	1
Corporate Information	2
Report to the Shareholders	4
Highlights in Graph Form	6
General Manager's Report	9
Highland Valley General Site Plan	10
Ten Years of Progress	12
The Making of a Mine	15
Financial Statements	23
Auditors' Report	29
Summary of Operations	30
Bethlehem Film	Back Flap
Location of Properties Map	Inside Back Cover

The Year at a Glance

Net earnings	$ 5,040,915
Shares issued	6,397,797
Income per share	79c
Dividends declared	$ 3,836,728
Dividends per share	60c
Tons milled	5,964,696
Revenue per ton milled	$ 3.92
Direct cost per ton milled	$ 2.41
Pounds copper produced	58,244,020
Employees	400
Total company payroll	$ 4,742,894
Capital expenditures	$ 2,943,237
Exploration and development	$ 3,823,781
Direct taxes paid	$ 2,426,926
Working capital	$35,165,315

Ore Reserves:

PROVEN *(tons)*	
Available to present mill	38,500,000
Ore grade - % Cu	0.56
J-A zone project	286,280,000
Ore grade - % Cu	0.43
% Mo	.017
Lake zone project	190,000,000
Ore grade - % Cu	0.48
DRILL INDICATED *(tons)*	
Maggie ore zone	200,000,000
Ore grade - % Cu equivalent	0.40

Economic Impact

of Bethlehem's achievement in the period December 1, 1962 to December 31, 1972

Export sales (U.S.)	$172.3 Million
Salaries and wages paid	$ 23.9 Million
Supplies and services purchased	$ 66.6 Million
Capital expenditures	$ 26.8 Million
Exploration and development	$ 10.0 Million
Direct taxes paid by Company	$ 26.5 Million
Employee income taxes	$ 4.8 Million
Dividends paid to shareholders	$ 23.6 Million

THIS IS THE BEGINNING . . .
. . . a lonely claim post could be the beginning of a mine. How a mine comes into being is described on pages 15 to 22.

Corporate Information

Exchange Listings

Shares of this Company are listed on the Vancouver, Toronto and Canadian Stock Exchanges

Registrar

Guaranty Trust Company of Canada, Vancouver

Transfer Agents

Guaranty Trust Company of Canada
Vancouver, Calgary, Regina and Toronto, Canada

Registrar and Transfer Company
Jersey City, New Jersey, U.S.A.

Bank

Bank of Montreal, Vancouver and Ashcroft, B.C.

Auditors

Arthur Andersen & Co., Vancouver

Solicitors

Lawrence & Shaw, Vancouver

Offices

Head Office:
#2100 - 1055 West Hastings Street, Vancouver 1, B.C.

Mine Office:
P.O. Box 520, Ashcroft, B.C.

Annual Meeting

The Annual General Meeting of Bethlehem Copper Corporation Ltd. will be held on Friday, June 8th, 1973 at 10:00 a.m. in the Vancouver Island Room of the Hotel Vancouver, Vancouver, British Columbia, Canada.

Directors

RICHARD F. DOOLEY, Chicago
President of 10 So. Wabash Corporation

JOHN A. McLALLEN, Vancouver
Managing Director of Capilano Timber Co. Ltd.

WILLIAM H. McLALLEN, Sr., Vancouver
President of Capilano Timber Co. Ltd.

PLATO MALOZEMOFF, New York
President and Chairman of the Board of Newmont Mining Corporation

HUGH A. MARTIN, Vancouver
President of Western Construction & Engineering Research Ltd.

KUNIO OHTA, Tokyo
Senior Managing Director of Sumitomo Shoji Kaisha Ltd.

GÖRAN PHILIPSON, Stockholm
President of Gränges Development

BRYAN J. REYNOLDS, Vancouver
Partner, Lawrence & Shaw, Barristers and Solicitors

PATRICK M. REYNOLDS, Vancouver
President and Chief Executive Officer of Bethlehem Copper Corporation Ltd.

ANDERS SWARTLING, Stockholm
Vice-President Exploration of Gränges Development

JACK E. THOMPSON, New York
Executive Vice-President of Newmont Mining Corporation

ERLAND WALDENSTRÖM, Stockholm
Chairman of Gränges AB

Officers

JOHN A. McLALLEN, *Chairman of the Board*

PATRICK M. REYNOLDS, *President and Chief Executive Officer*

KEITH E. STEEVES, C.A., *Treasurer*

DONALD W. J. SPECHT, LL.B., *Secretary*

RICHARD A. MUNDIE, C.A., *Assistant Treasurer*

Honorary Positions

HERMAN H. HUESTIS, *Honorary Vice-Chairman*

RICHARD F. DOOLEY, *Honorary Vice-President*

Vice-Presidents

HENRY G. EWANCHUK, *Assistant to the President*

THOMAS P. LISS, *Operations*

KEITH E. STEEVES, *Finance*

THIS IS THE BEGINNING . . .
. . . a lonely claim post could be the beginning of a mine. How a mine comes into being is described on pages 15 to 22.

Report to the Shareholders

President P. M. Reynolds (left) with Chairman J. A. McLallen.

Earnings

During the twelve months ended December 31st, 1972 Bethlehem earned $5,040,915 after providing for income and mining taxes in the amount of $3,783,872. This resulted in per share earnings of 79c which was the same as the amount earned in the previous twelve month period.

The world price of copper was depressed throughout the year. Our average selling price was approximately 48c per pound compared to 51c per pound received in 1971. In 1972 we produced 7,000,000 pounds more copper than in 1971 and this increase in production was the main reason we were able to maintain our per share earnings at last year's level.

Since January 1973 copper prices have risen steadily and at the date of this report the price is 70c per pound. Consequently, we are optimistic in our profit projections for 1973.

J-A Orebody

Approximately $3,600,000 was spent in completing the exploration of the J-A orebody and the preparation of feasibility studies. A final study is now in progress and it is expected that the Board of Directors will consider a production decision in June.

Lake Zone Orebody

The Valley Copper-Lake Zone orebody, located approximately three miles west of the J-A orebody, is owned 80% by Valley Copper Mines Ltd. and 20% by Bethlehem. Bethlehem also has a 2½% royalty interest in about 75% of Valley Copper's portion of the orebody. Valley Copper is controlled by Cominco Ltd. which owns approximately 70% of the outstanding shares of Valley.

Three years ago when Valley indicated that it was preparing for production Bethlehem raised its share of the capital required to launch this major mining project. Bethlehem has made several alternative suggestions to overcome the continuing delay in implementing plans for development of this important orebody and it is hoped that some constructive action will be forthcoming before too long.

Ore Reserves

The substantial ore reserves owned by Bethlehem are detailed on page one of this Annual Report.

General Exploration

In 1972 Bethlehem spent approximately $380,000 on exploration mainly in British Columbia. A drilling program is being conducted in Ireland by Bethlehem's wholly owned subsidiary, Betheire Mines Limited, in partnership with International Mogul Mines (Ireland) Limited and Basin Explorations (Ireland) Limited. Results to date have been encouraging.

Bethlehem has an 8% syndicate participation in a natural gas test well in the Bowser Basin in northwestern British Columbia. Dome Petroleum Limited is the operator of this venture. No further work has been done on the Princeton coal deposit which was reported on last year.

Smelter Study

Last year we announced that Bethlehem in association with Noranda Mines Ltd., Placer Development Ltd. and Newmont Mining Corporation of Canada Ltd. had initiated a study on the possibility of establishing a smelter in British Columbia. While the results of that study have been received and considered, no further action is planned pending a decision by the pollution control authorities of the Provincial Government as to the sulphur extraction requirements. In the meantime, Bethlehem's management and staff are continuing their research into new and developing techniques and processes in mineral extraction.

Frio Oil Ltd.

Bethlehem owns 55% of the issued shares of Frio Oil Ltd. which is based in Calgary, Alberta. Frio has a three year operating agreement with El Can Petroleum Company, a wholly owned subsidiary of El Paso Natural Gas, which provides for Frio to manage specific exploration programs. El Can contributes annually $125,000 to Frio's

overhead and provides up to $2,000,000 for property acquisition. Frio obtains a 20% carried interest in each property acquired up to the completion of the first well.

A new three year agreement effective June 1st, 1973 has been negotiated with El Can whereby it will contribute annually $180,000 towards Frio's overhead and up to $2,000,000 per year for property acquisition and exploration. Frio will receive a 12½% carried interest in each property acquired and will participate to the extent of 7½% in acquisition and exploration costs to bring its interest to 20%. As in the case of the first agreement, Frio must contribute its share of the cost of subsequent drilling in order to maintain its interest. Land inventory subject to the El Can agreement located in Alberta and northeastern British Columbia totals 730,300 gross acres with a net interest to Frio of 83,682 acres.

Concentrate Sales Agreement

Agreements have been completed for the sale of the major part of our expected concentrate production up to February 28th, 1978. Steadily increasing costs at the smelter, pollution control requirements and world wide inflationary pressures have substantially raised smelter charges under the terms of the new agreements.

Annual Report

We are pleased to report that last year's Annual Report won the Financial Post award as Canada's top mining report of the year. Our Annual Reports are produced under the supervision of our Manager of Community Relations, Mr. James C. Greer, who also publishes our employee newsletter, "Conveyor".

The centre section of this Report is designed to provide answers to some of the enquiries we receive from our shareholders, high school students, the general public and others who are not themselves closely associated with the mining industry. We feel we should give recognition to the fact that their interest in our operations entitles them to a non-technical description of what is involved in the development of low grade porphyry copper mines such as those developed and operated by Bethlehem in the Highland Valley of British Columbia. The centre section is also a tribute to the prospectors who as a unique and, unfortunately, vanishing breed have given much to this growing province and its mining industry.

These are the men whose dedication and determination to follow a dream led to the development of the great, and potentially great, mines of British Columbia. More than 50,000 people in this province are employed, directly and indirectly, as a result of successful development of these mines.

Bethlehem is a classic example of a successful result of a prospector's dream. For many years Spud Huestis, with tenacity typical of his calling, resisted recurring disappointments, consistently rose above frequent frustrations and eventually realized his dream by discovery of our mine in the Highland Valley. Today 400 Bethlehem people work there and with their families make up more than half the population of Ashcroft.

Acknowledgment

It is the long service, experienced employees who are the backbone of any organization. Ten years have passed since Bethlehem commenced production and some of the employees who helped us make that first shipment of concentrate from the Highland Valley are still with us and are still playing an important part in the Company's success. On November 17th last year we had pleasure in hosting a dinner at which 12 ten-year employees and their wives were guests of honor.

I extend the appreciation of the Board of Directors to all our employees and to our consultants who contribute daily to the success and growth of our Company.

On Behalf of the Board,

PATRICK M. REYNOLDS
President and Chief Executive Officer

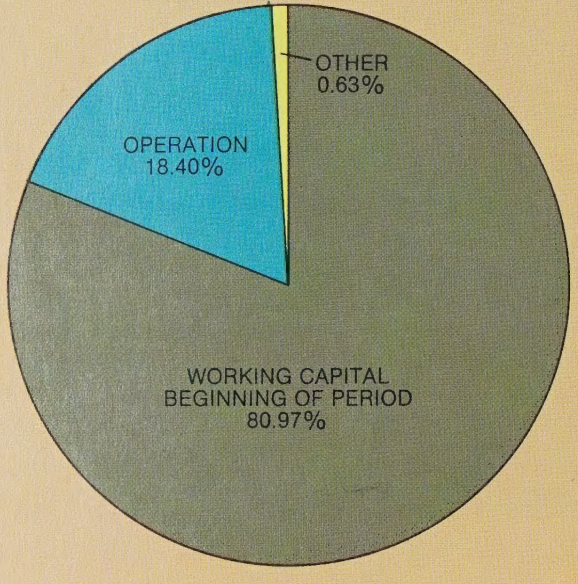
May 1, 1973

Bethlehem's ten year service pin.

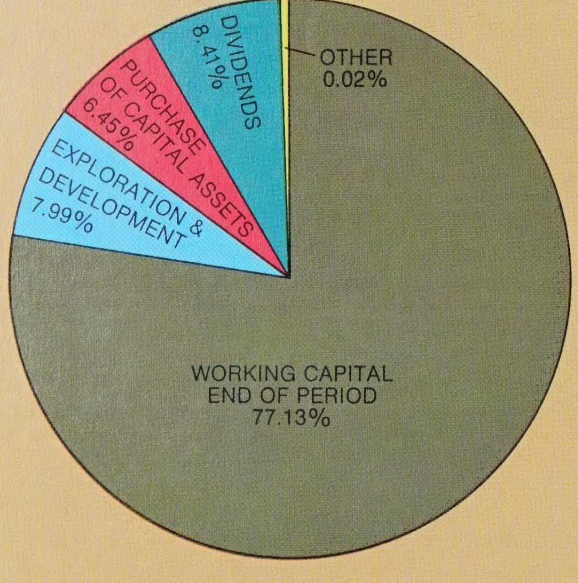
Highlights in Graph Form

Shaded sections of 1971 graphs indicate an estimate to complete a 12-month fiscal year, for purposes of comparison with other years.

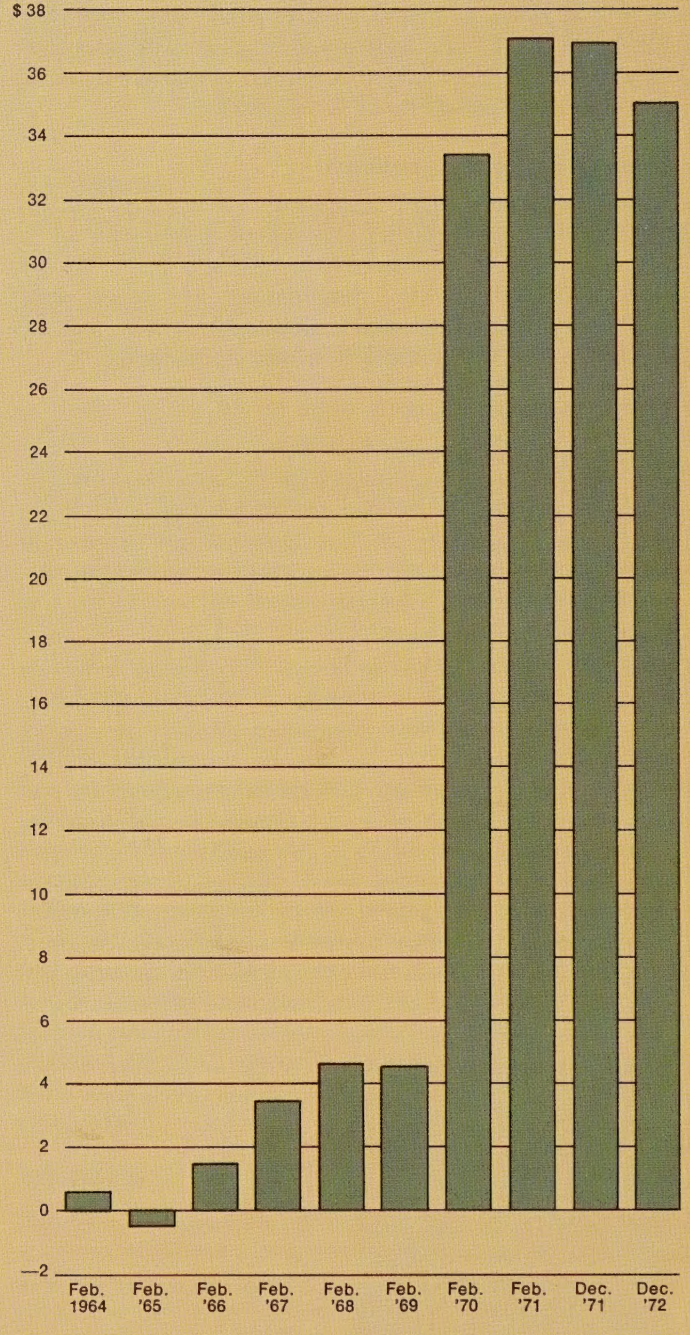
FUNDS WERE PROVIDED FROM



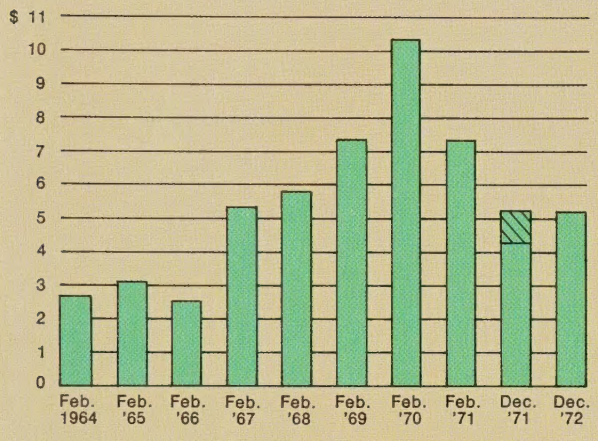
FUNDS WERE APPLIED TO



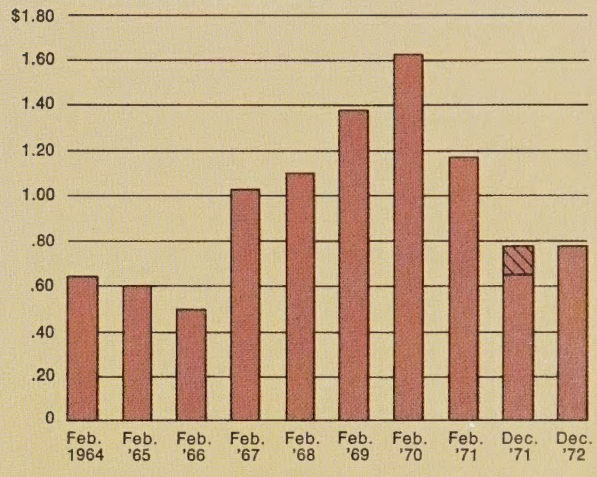
WORKING CAPITAL *in millions of dollars*



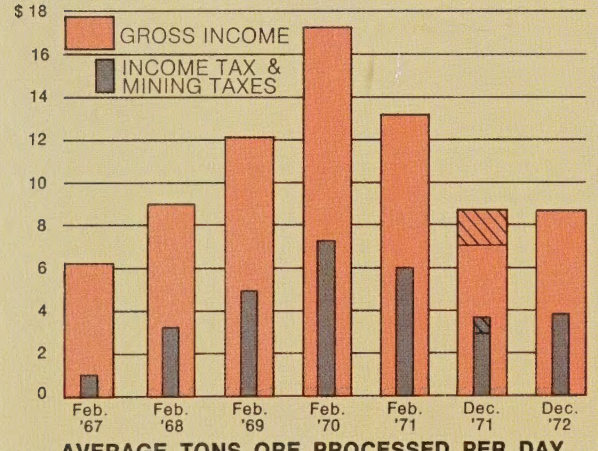
NET INCOME
in millions of dollars



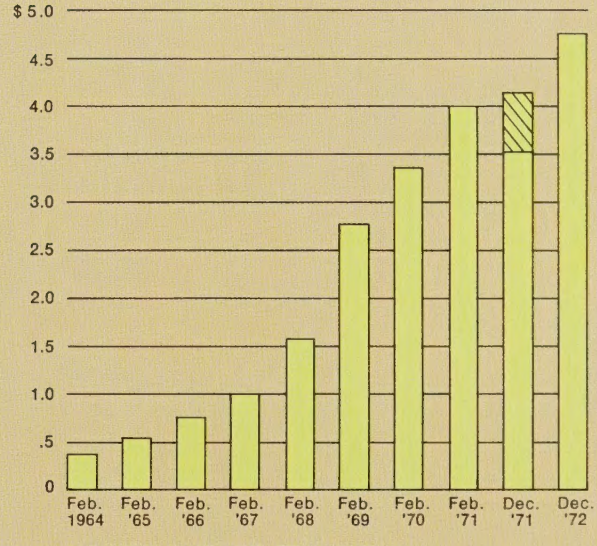
EARNINGS PER SHARE



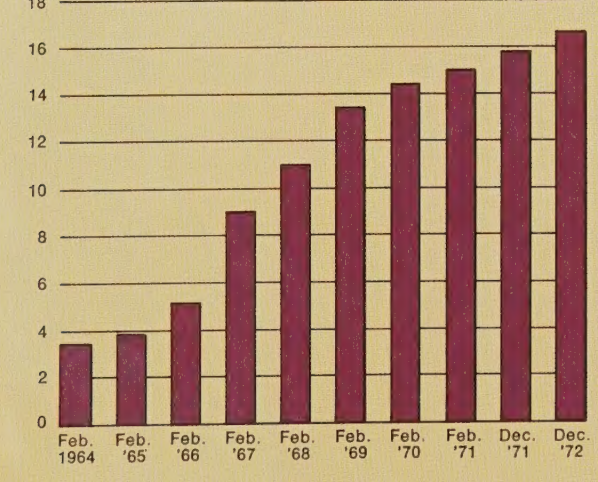
GROSS INCOME AND TAXES
in millions of dollars



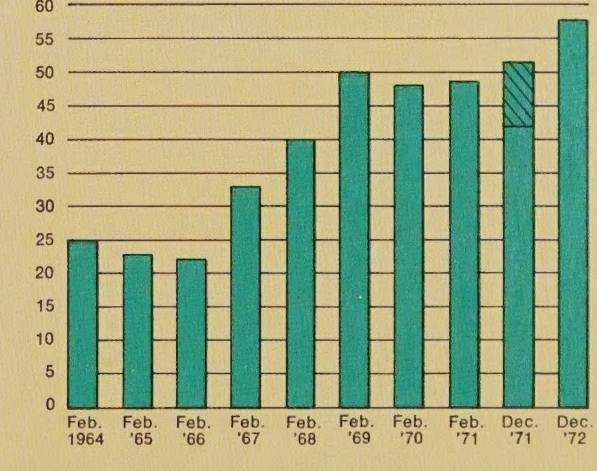
PAYROLL *in millions of dollars*



AVERAGE TONS ORE PROCESSED PER DAY
in thousands



POUNDS COPPER PRODUCED
in millions




Bethlehem
Copper

General Manager's Report

I am pleased to submit a summary of the 1972 operations of the Highland Valley Division.

Production

The installation of two large pebble mills, completed in June of last year, was a major contributing factor to our Company setting new production records. Our mill facilities processed 5,964,696 dry tons of ore grading 0.54% Cu in the production of 58,244,020 pounds of copper.

Revenue and Costs

Following the trend of 1971, copper prices continued to decline during 1972. The average price received per pound of copper was 48.36c. Net smelter return totalled $23,381,502. Total direct cost of ore mined and milled was $14,361,238 or $2.41 per ton, an increase of 8.6%. In addition to direct operating cost, depreciation of plant and mine equipment amounted to 29c for a total cost of $2.70 per ton.

Mining

Ore mined from the Huestis and Jersey pits amounted to 6,142,665 tons of which 71% came from the Huestis, at a stripping ratio of 2.54:1 of waste to ore. In November, mining of the Jersey orebody reached design limits and mining was discontinued. All ore is now derived from the Huestis mine. Towards the end of this year we plan to commence development of the Iona orebody. Exploratory work will be carried out on the fringe areas of the Jersey mine to ascertain the possibility of developing additional ore there.

Major expenditures totalling $1,500,000 were made for the replacement of trucks, shovels and loaders originally acquired in 1967.

Plant Operations

The highlight of plant operations during the year was the successful installation and operation of the two new pebble mills. This work was completed in June and since the start-up of these units the mill tonnage has averaged in excess of 17,000 tons per operating day. Copper recoveries have been in the range of 88% to 90% and compare favorably to recoveries of 81% to 83% from the previous milling rate of 15,000 tons per day.

Personnel

No unusual labor problems were encountered during 1972. Our union contract expires in June of this year. A new union has been certified and negotiations for a new contract are scheduled for May.

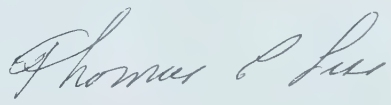
Future Plans

Work continued on plans for the development of the J-A orebody. Various tonnages and mill designs are being studied and the results will be submitted to the Directors for their consideration.

We also engaged in smelter studies but before proceeding to a feasibility study, we will have to await the decision by the Provincial Government with respect to provincial standards for control of sulphur emissions.

Acknowledgment

On behalf of the supervisory staff, I wish to take this opportunity to thank the personnel of the Highland Valley Division for the co-operation received during the past year which contributed to the continued success of our operation.

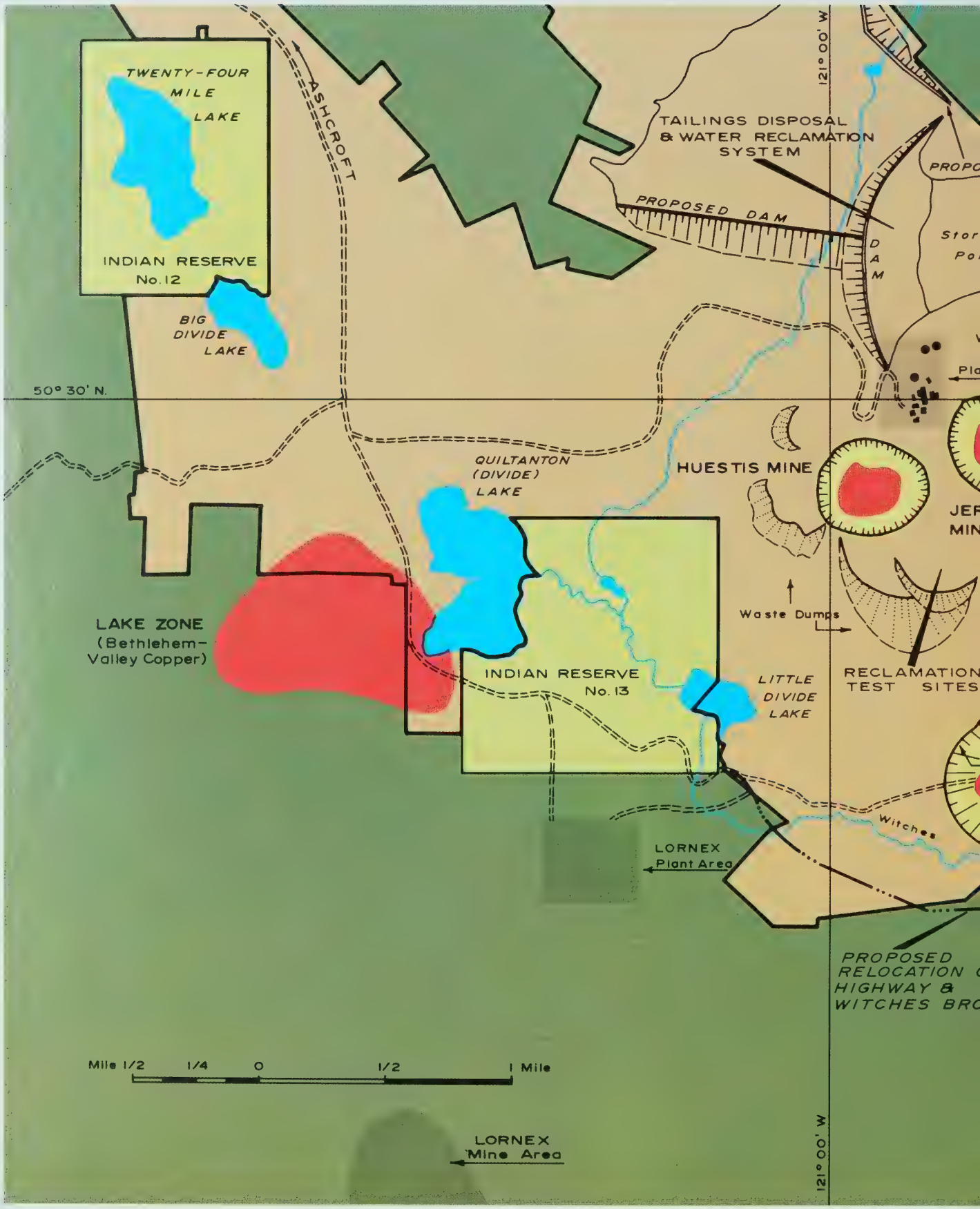


THOMAS P. LISS, B.Sc.
Vice-President, Operations
General Manager, Highland Valley Operations

May 1, 1973

T. P. Liss.

Highland Valley General Site Plan




BOSE LAKE
DAMS
ONE LOON LAKE
COPPER LAKE
Dump
HANK ZONE
50° 30' N
EAST JERSEY MINE
Snowstorm Lake
SNOWSTORM ZONE
SPUD LAKE
WHITE ZONE
J-A ZONE
OF ULTIMATE PIT
INDIAN RESERVE No. 14
Brook
INDIAN RESERVE No. 15

Ten Years of Progress

The official opening on February 1, 1963 brought many interested people to the mine site.

The first concentrate left the Highland Valley in 1963 to begin a major export business for British Columbia.

Combination truck-trailer carries 33 tons of concentrate from Mill to rail siding at Clinton for transshipment to Vancouver.

With initial production on December 1st, 1962, the first shipment of concentrate left the new mine of Bethlehem Copper Corporation Ltd. on February 1st, 1963. Recording the event, "Western Miner and Oil Review" stated:

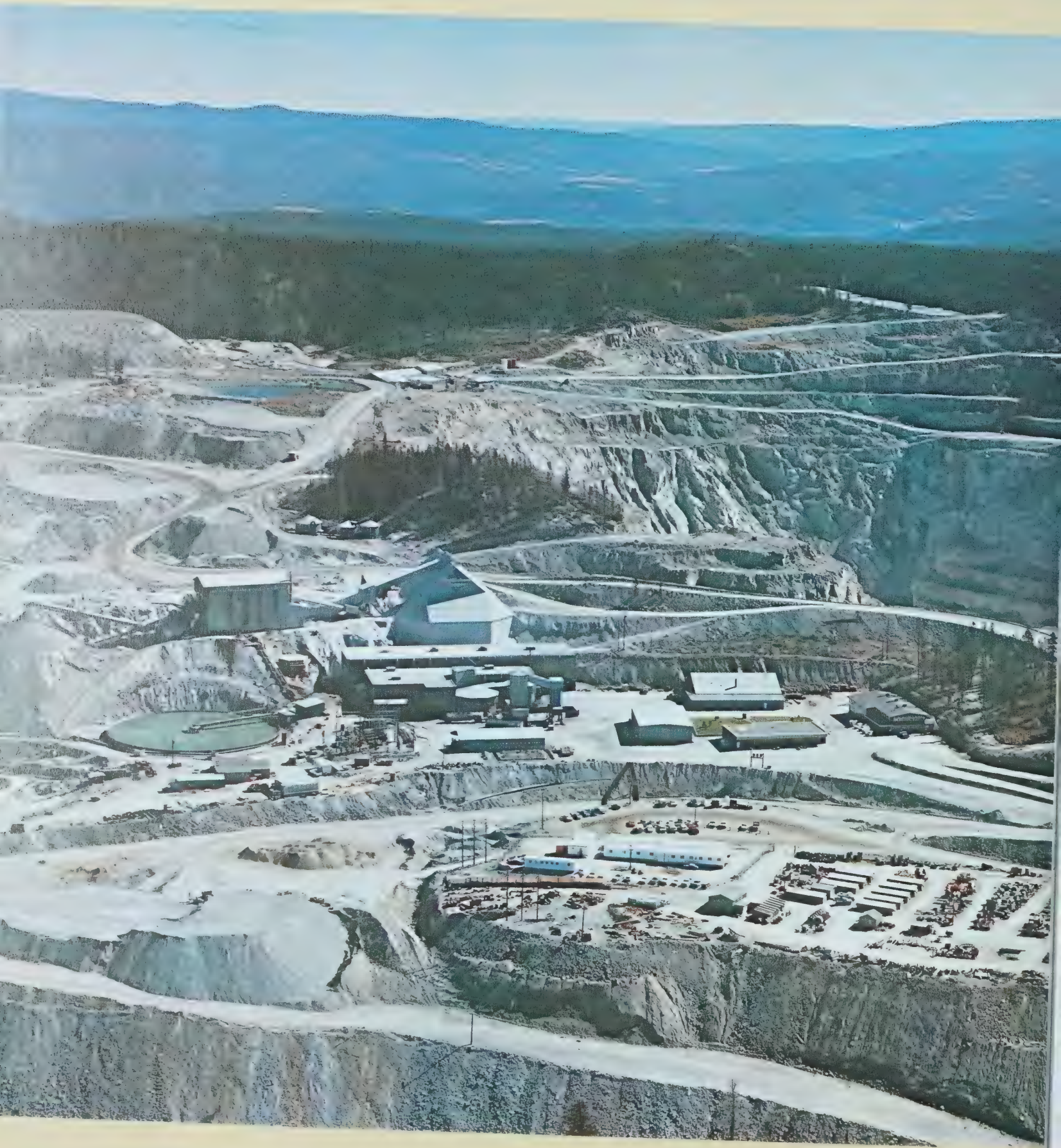
"To many, it is the ultimate realization of all the dreams that miners dream. It is the achievement of hopes deferred. It is the solid sweat-salted proof that miners are right some of the time. It is the actual stuff that makes it worthwhile to seek new mines. Perhaps with most public appeal, it is proof that a small group of Canadians can make a mine against heavy odds. It is Six or Seven or Eight Millions of dollars invested in a community, in new homes, new jobs, new business opportunities; in the development of British Columbia and Canada; in all of the things our economy demands and must have. It is what justifies the mining business."

Since those words were written the investment in the community of "Six or Seven or Eight Millions of dollars" has more than tripled, new homes have expanded the community to house its tripled population, hundreds of new jobs have built a stable economy where a decade ago there was uncertainty. No one, not even with the enthusiasm of the editorial writer of that 1963 issue of "Western Miner and Oil Review" could have projected Bethlehem's capacity for development to the current impressive levels and its resultant injections into local, provincial and national economies. The initial facility that made a singular achievement in establishing a daily throughput of 3,000 tons of the Highland Valley's low grade ore now processes 17,000 tons. The progressive increase in production over the ten year period has attracted to the Canadian economy more than $170 Million in product sales, paid more than $26 Million in direct taxes to national and provincial treasuries and provided $24 Million as salaries and wages. Last year alone Bethlehem's 400 employees earned $4.7 Million and paid more than $1 Million in income taxes. For those companies and people who have supplied equipment and services to the mine, the ten year total amounts to $66.6 Million and in dividends to shareholders the return has been $23.6 Million. All this from Bethlehem's relatively modest beginning.

There is another area that cannot be overlooked. Without exploration the life of any mine is finite and the continuity of economic and social benefits ceases with the depletion of ore reserves. Bethlehem has built for the future and its ore reserves are in excess of 700,000,000 tons. The cost of locating these reserves now totals $10 Million, spent mainly in British Columbia.

This brief review marks Bethlehem's era of progressive accomplishments and its positive impact on the local, provincial and national economies. It is, as the editorial stated a decade ago, "the achievement of hopes deferred". Bethlehem was born in an era of indecision and uncertainty. It met, and overcame, the hurdles that beset its path to solid establishment as an important element in the economic past, present and future of this province.

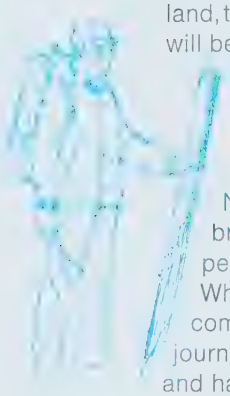
Transition from contracted mining took place in 1967 when Bethlehem purchased its own trucks and mine equipment.



Journey in a Lonely Land

The heartland and northern borders of British Columbia —the land that lies beyond the pages of tour books, beyond the turmoil of cities, beyond the accessibility of surface routes is a vast and lonely land. It is a land of tall trees and tangled underbrush, of rocky slopes and deep ravines, of surging rivers and sullen muskeg. It is a land where the sentinel eye of the eagle sweeps to encompass the stalking cougar, the poised rattlesnake and the lurking bear.

Occasionally a human figure will intrude upon this lonely land, this remote domain of predator and prey. The intruder will be a prospector, shoulders stooped under the weight of pack and head bent to scan outcroppings of rock that could hold traces of the minerals he seeks.



A Vanishing Breed

Now reduced in number, and perhaps a vanishing breed, these men whose lives have been given to prospecting must have a rare and different sense of values. What else would make them give up the security of comfortable and civilized living? What would make them journey to remote and difficult regions where discomfort and hardship would be their constant companions? Surely they must judge the reward to be worth the inherent sacrifice. In this chronicle we shall attempt to follow a prospector who, by perseverance and incredible fortune, has uncovered one of Nature's secret hoards. We shall follow him from find to final realization of his persistent dream.

Artist's conception of a remote region where a prospector might find a mine.

The exploration geologist knows that for every 1,000 properties examined maybe one will prove successful.

History Paints a Romantic Picture

Visualize for a moment the traditional picture of a prospector who finds gold "in them thar hills". We see him strike the motherlode and, with pokes of gold dust or nuggets strapped to the back of his burro, head back to town.

We see him become rich almost overnight. He sells his first gold, buys supplies and equipment and creates for himself a greater and greater source of wealth, all paid for with the gold he gathers with his own hands.

Perhaps something like that happened in history, but such happenings are long gone.

"Base" Becomes "Precious"

In the world of minerals, gold is no longer the only metal that, with siren gleam, beckons man to seek its riches. Today, society's need for copper, lead, zinc and others so misnamed as "base" metals, has given them a new value and elevated them to join the ranks of precious metals.

Yesterday's Despised Deposits

World demand for copper has encouraged development of previously despised low grade porphyry deposits. A few years ago any deposit whose ore could only yield eight pounds of copper for every ton of mined ore would have been considered worthless. Today the technology of recovery has advanced to a point where the finely disseminated mineral grains can be extracted and collected to provide wages and profits.

The Prospector's Widened Range

Thus, today's prospector does not seek primarily for the gleam of gold; he has widened his range to include the blue-green of bornite and the yellow-gold of chalcopyrite that indicate copper.

An Ever-Present Hope

We, at Bethlehem, have met and known many

prospectors, successful and unsuccessful. And overwhelming the few who found what they sought are the many who have never known the elation of success but who continue to cling tenaciously to an ever-present hope that one day . . . ! Perhaps it is the fact that the unique few have found treasure that spurs the as-yet-unsuccessful ones to continue the search.

Special Share of World's Wealth

And when Nature does allow one of her secret hoards to be revealed, then he whom the fates have favored will know an initial and incredible elation and he will savor the first realization of a determined dream . . . his own special share of the world's wealth lies beneath his feet.

First Step in Another Journey

And when the initial elation tempers, he will take the first step in another journey, an economic journey, to create a negotiable value for his find. In that first step on his new journey he will take a branch from a tree, trim back the bark to square off the top few inches and place on the bared wood the metal tag that will mark his claim.

First Funds

With the prospector's discovery of what he believes to be an economic orebody there is completion of the first of many phases in the birth of a new mine. Now, there follows the second, and probably most critical phase — finding funds to prove the existence and extent of the orebody . . . or if it exists at all!

It is at this point that the prospector will seek assistance and invite participation to develop his find.

Burro Becomes Ore Truck

The romantic fiction of the historic prospector loading pokes of the precious metal into the saddle-bags of his burro is far removed from the real world of today. The burro has become a fleet of 50-ton ore trucks and the poke is replaced by 5-yard shovels. But much will be done before either truck or shovel will appear on the scene.

Elusive as Orebody

The first funds to prove the orebody have yet to be found and there have been prospectors who have spent years seeking those first funds and found them to be as elusive as the orebody itself.

Essential Technology

Today's prospector relegates tradition to its place in the past and the old methods of development join the saddle-bagged burro in history. History's elemental economics for development are replaced by systems demanded by the complexities of modern trade and commerce. The utilization of essential technology has accelerated required costs of development to astronomical expenditures of many millions of dollars . . . gambled on the *probability* that a profitably producing mine will be at the end of a long economic road.

Harsh Reality

And the prospector will know the harsh reality that the mineral contained in his orebody is without value until it reaches a purchaser in the world's marketplace. To whom shall he turn?

Options for Development

Many will turn to major mining companies in the hope that their development experts will share his faith in the property. Others will form, or share in the formation of a new company.

Of these options the shorter and quicker way for the prospector to enjoy the fruits of his find is association with an established mining company.

Elements of a Modern Mine

Here he will find that the company's experience will provide accessibility to proven expertise, to consultants in modern mining practices, to milling and metallurgical extraction, to advice on social and legal ramifications, to investment money, to transportation and smelting facilities and to world markets for the metal. These and

Creation of new jobs will mean an influx of families. Adequate educational facilities must be provided for the children.

other elements are in the make-up of a modern mine, demanding an incredible width of knowledge on seemingly limitless aspects.

Submission of Property

And so, the prospector will probably contact the exploration department of an established mining company, will supply samples of ore showing the mineral traces, provide any other collected information on the property and will enter into discussion with the company's geologists. From these discussions will come the company's first decision . . . to investigate or reject the property.

Examination of Property

If, after all considerations, the decision is favorable, the company will send a crew to examine the property, to sift the evidence that may confirm the fact that the possibility of an orebody does exist.

Objectivity

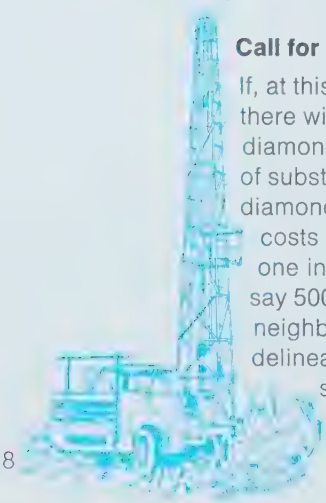
From this point, every move will be an example of objectivity. Where the prospector's approach to his property may be influenced by some natural sentiment (for is not the property the result and reward of a long search, maybe years of discomfort and danger?) the company's approach will accept only the logic that is based on facts.

Know When to Quit

The experience of the company's geologists will tell them: "never fall in love with a property" and "know when to quit". They will recognize that *for every 1,000 properties examined, maybe one will prove successful.*

Geological Testing

Assuming that positive indications are found the geological crew will then use the tools of geophysical and geochemical work, geological field mapping, soil sampling, stream sediment sampling to pry into what is hoped will be one of Nature's hidden hoards.



Call for Drills

If, at this point, results continue to be positive, then there will be a call for drills, percussion, rotary or diamond. And with the drills will begin expenditures of substantial proportions. All drilling is expensive and diamond drilling is particularly expensive. Current costs of diamond drilling approach one dollar for one inch of core. At these prices a drill hole of, say 500 feet, marks up an expenditure in the neighborhood of six thousand dollars. And in the delineation of an orebody it may be that 200 such holes could be required and the first million dollar expenditure would be recorded.

Protection and restoration of the environment are included in plans for modern mining operations.

Core Determines Designs

While the less expensive percussion and rotary drilling may indicate the existence of mineralization, only the diamond drill core will indicate the strata position of the mineralization. It is from the data obtained from this core that designs for the future mine will be based.

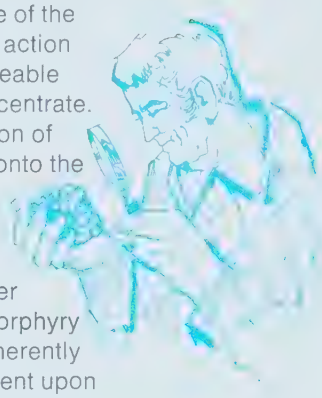
Signal for Studies

Positive results from continued drilling will signal the beginning of a series of studies, engineering and economic. While drilling continues to prove the probability of an orebody the company, with its consultants in the various areas of development, will be projecting for the possible requirements of a producing mine. If it is an open pit porphyry copper mine they will

consider alternative designs for test pits, the relative positions of the crushing plant, the mill and flotation facilities. They will establish the probable locations of services, roads, powerlines and water supply. They must plan for conservation of the environment, the acceptable disposal of waste rock and the construction of dams to hold the mill tailings. If the new mine is in a remote area they will consider the design and construction of a townsite to house the workforce and families. There must be provision for educational and recreational facilities, stores and services. There will be studies considering costs of mining, milling and extracting. There will be studies of methods and costs of transportation. And there will begin investigations into that vital area without which no mine would have purpose — selling the product of the mine.

Preparing the Product

Preparing the product of a low grade porphyry copper mine to meet the competition of world markets is expensive. In the preceding paragraph we spoke of the studies required before final decisions generate action toward production of the mine's mineral as a saleable commodity — usually in the form of copper concentrate. These studies will have resulted in the preparation of estimates of cost to put the product of the mine onto the world mineral market. Now to find the money!



A Different Industry

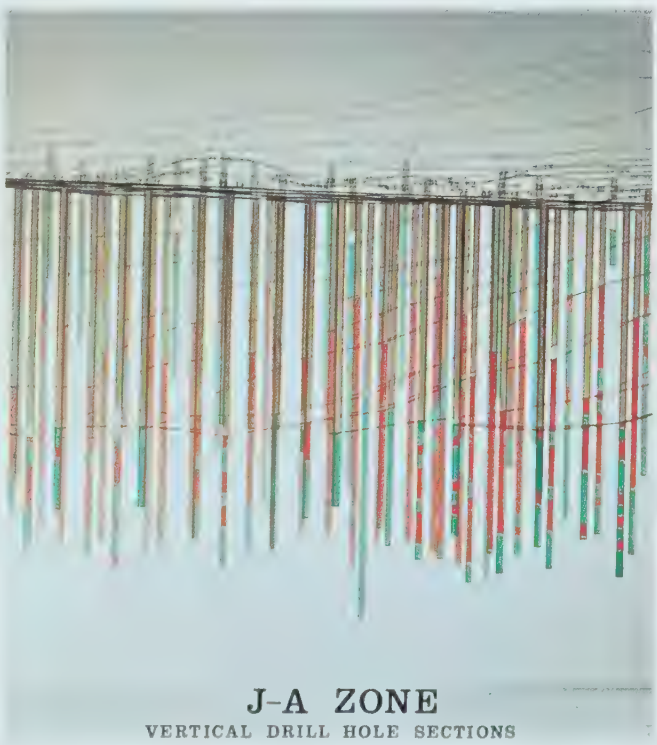
The mining industry is very different from all other industries, even other resource industries and porphyry copper mining is different from other mining. Inherently low revenues are like the low grade ore, dependent upon volume to build to a level of economic success. This level can only be attained through the efficient utilization of heavy and specialized equipment teamed with modern mining technology.

Beginning Industry "Buys" Money

Like all beginning industry porphyry copper mining must attract or "buy" money to buy other raw materials in the makeup of its finished product.

Reputation as Collateral

It buys money with its own potential for profit. It buys it too, with the reputation of those whose experience and judgment have involved them in the establishment of this particular mine.



Pools of Capital

Past successes will open the way to large pools of capital that are essential to any venture in low grade porphyry copper mining.

Unproven Foundation

This will be a venture based on an *unproven* foundation. Drill cores may show economic grades of ore but only when the ore is mined and processed can the true value be known. This will be a venture where it will be difficult, if not impossible, to give or obtain guarantees.

Sensitive and Difficult

In financing, interim, short and long term, there will be sensitive negotiations and difficult decisions.

Investor Incentives

In the past, governments have assisted by offering tax incentives to the revenue-producing mining industry. Today, in Canada, both at the federal and provincial levels, the trend in government policy is toward increased taxation, restrictive legislation and the removal of the previously available incentives. These are policies which make it all the more difficult to obtain investor interest and force a wider search for vital financing.

Knows No National Borders

Investment capital knows no national borders; it will go where it is offered the most attractive terms. Against the chance that the venture proves efficient and economically viable the investor group who will provide the high-risk money will require the sense of security that is integral in stable government policies and from which they may draw assurance of a reasonable return.

Economic and engineering studies will follow positive drill results.

The Bottom Line

In financial parlance investors will look at "the bottom line". What they see there will be the net return after all possible deductions are made: capital expenditures, operating costs, taxes and other charges. It is "the bottom line" that will influence the decision whether or not the vital capital will be made available for development of the mine.

Concurrent Searches

Concurrent with the search for funds will be the search for markets. Here we can only touch upon an incredibly complicated area in development economics.

Not Limited

It is not limited simply to the exchange of a commodity for money — it also requires negotiations for transportation of the concentrate, negotiations for smelting facilities, negotiations on what currency will be used in payment; these are but a few of the problems encountered in this final stage of bringing the mine into production.

Payment — When and How

When shall payment be made? If the concentrate is exported shall payment be made when it is loaded aboard ship; shall it be made when it is off-loaded at the smelter or shall it be made on the basis of the amount of metal resulting from the smelting process? Shall payment be made in the currency of the country in which the mine is located, or in the currency of the country to which it is sold, or in a neutral currency which by present trends or economists' projections may be more beneficial to the buyer or to the seller?

Need For Special Knowledge

In shipping and in other forms of transportation there is need for specialized knowledge. Concentrate, the light and dusty commodity of the mine, varies in copper content, but most British Columbia open pit porphyry copper mines produce a concentrate grading between 25% and 35% pure copper. Concentrate transporting demands special trucks, special rail cars and special ships so that its moisture content is kept constant. Except for very brief intervals it must be covered to prevent excessive evaporation or further absorption.

Dreaded Hazard

The threat of shifting cargo, that dreaded hazard of all who sail the seas, has dictated that while the concentrate must contain some water that "some" must be carefully controlled. A "Flow Moisture Point", that point at which the moisture content would cause the concentrate to

The mined and crushed ore passes through the milling processes to become mineral concentrate.

become a liquid mass is established by careful testing. This flow moisture point, like the copper in the concentrate, varies with the grind and make-up of the concentrate. The shipping authorities decree the level of acceptable moisture based on the flow moisture point. This level confines the concentrate for bulk handling and eliminates excessive loss through dusting. Over this level would take the concentrate perilously close to a liquid state and could cause listing, if not outright capsizing, of the transporting vessel. On the other hand, too little moisture would cause dusting, particularly on the long conveyor belt from dockside to ship's hold and could result in considerable dissipation by winds during the loading operations.

First Payment

The time when the concentrate is finally loaded into the ship's hold is also the earliest time at which first payment could be due for the product of the mine. Years (exactly

In the final stages excess moisture is removed from the concentrate.

how many will have been decided by factors foreseen and unforeseen) will have elapsed since the prospector cut the branch to mark his claim and brought him into the high risk mining industry.

One-in-a-Thousand

In this one-in-a-thousand instance he will have been elevated to the thin ranks of the few who have been incredibly fortunate and who have seen their find nurtured and developed into a successfully producing mine.

Events on a Long Journey

In reviewing the events on the long journey from discovery to development, the prospector will recall that he has seen his simple claim post mark the beginning of a chain reaction through a maze of meetings and negotiations, domestic, national and international; he has observed economic, social and political involvements and he has shared the anxiety, impatience, fear and frustration that relentlessly accompany those who would seek fulfillment in their achievement of any venture, and particularly achievement in so uncertain a venture as attempting to bring a mine into successful production. He will recall that he knew new hazards, emotional hazards that perhaps exceeded the physical hazards of his earlier and lonelier journeys in search of his orebody.

End of a Long Journey

Our prospector will now have completed a journey that has brought him far from that solitary claim post in that remote and lonely land — "the land that lies beyond the pages of tour books . . ."

Conveyor belt carries copper concentrate from dockside storage to ship's hold.

Financial Statements

Consolidated Balance Sheet

December 31, 1972 and 1971

ASSETS

Current Assets:	**1972**	1971
Cash and short-term deposits	**$32,228,041**	$33,067,489
Accounts receivable	**722,171**	2,321,262
Income and mining taxes receivable *(Note 2)*	**549,284**	1,427,373
Inventories —		
Concentrates, at estimated net realizable value	**3,555,200**	2,024,027
Materials and supplies, at average cost	**1,681,590**	1,663,069
Prepaid expenses	**87,108**	40,313
Total current assets	**$38,823,394**	$40,543,533
Investments:		
At cost (market value 1972 — $4,648,689; 1971 — $4,335,348)	**$ 2,443,805**	$ 2,702,996
Capital Assets, at cost:		
Buildings, equipment and roads	**$22,817,444**	$20,966,172
Less — Accumulated depreciation	**7,472,803**	6,060,719
	$15,344,641	$14,905,453
Mineral claims, petroleum and natural gas rights	**840,887**	468,043
Land	**1,915,009**	1,131,675
	$18,100,537	$16,505,171
Deferred Costs:		
Exploration and development	**$ 3,643,043**	$ —
	$63,010,779	$59,751,700

On Behalf of the Board:

J. A. McLallen, Director

P. M. Reynolds, Director

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:	**1972**	1971
Accounts payable and accrued liabilities	**$ 3,658,079**	$ 3,622,170
Total current liabilities	**$ 3,658,079**	$ 3,622,170
Long-Term Liabilities	**$ 622,633**	$ 381,352
Future Income and Mining Taxes	**$ 4,834,810**	$ 3,246,583
Shareholders' Equity:		
Share capital *(Note 4)* —		
Authorized, 10,000,000 shares, 50c each par value;		
Outstanding, 1972 — 6,397,797 shares;		
1971 — 6,381,297 shares	**$ 3,198,899**	$ 3,190,649
Contributed surplus	**23,977,011**	23,795,786
Retained earnings	**26,719,347**	25,515,160
	$53,895,257	$52,501,595
	$63,010,779	$59,751,700

The accompanying notes to consolidated financial statements are an integral part of this balance sheet.

Consolidated Statement of Earnings and Retained Earnings

for the year ended December 31, 1972 and the ten months ended December 31, 1971

	Year Ended December 31, 1972	Ten Months Ended December 31, 1971*
Concentrate revenue	**$23,381,502**	$18,882,346
Production, administration, transportation and marketing costs	**$14,361,238**	$10,579,450
Depreciation	**1,707,093**	1,242,980
Exploration	**455,635**	1,609,312
	$16,523,966	$13,431,742
	$ 6,857,536	$ 5,450,604
Interest income	**1,967,251**	2,037,235
Earnings before income and mining taxes	**$ 8,824,787**	$ 7,487,839
Provision for income and mining taxes	**3,783,872**	3,269,203
Net earnings	**$ 5,040,915**	$ 4,218,636
Retained earnings at beginning of period	**25,515,160**	24,166,456
	$30,556,075	$28,385,092
Dividends	**3,836,728**	2,869,932
Retained earnings at end of period	**$26,719,347**	$25,515,160
Earnings per share	**$ .79**	$ .66*

*In 1971 the year end was changed to coincide with the calendar year resulting in the report for that fiscal year covering a 10 month period. For comparative purposes, the 1971 unaudited earnings for the 12 month period were $5,062,000 or 79c per share.

The accompanying notes to consolidated financial statements are an integral part of this statement.

Consolidated Statement of Source and Application of Funds

for the year ended December 31, 1972 and the ten months ended December 31, 1971

	Year Ended December 31, 1972	Ten Months Ended December 31, 1971
Source of Funds:		
Net earnings	**$ 5,040,915**	$ 4,218,636
Add — Expenses not requiring an outlay of funds —		
Depreciation	**1,707,093**	1,242,980
Provision for future taxes	**1,588,227**	302,586
Other	**54,322**	91,446
	$ 8,390,557	$ 5,855,648
Proceeds from issue of shares	**76,975**	68,750
Proceeds from sale of investments	**39,454**	—
Proceeds from sale of capital assets	**168,693**	143,254
	$ 8,675,679	$ 6,067,652
Application of Funds:		
Investments	**$ —**	$ 79,540
Exploration and development	**3,643,043**	—
Purchase of capital assets	**2,943,237**	3,228,298
Dividends	**3,836,728**	2,869,932
Other	**8,719**	24,823
	$10,431,727	$ 6,202,593
Decrease in working capital	**$ 1,756,048**	$ 134,941

The accompanying notes to consolidated financial statements are an integral part of this statement.

Notes to Consolidated Financial Statements

December 31, 1972

1. SUMMARY OF ACCOUNTING POLICIES

Principles of Consolidation

The accounts of Frio Oil Ltd., as well as those of the Company's wholly-owned subsidiaries, Betheire Mines Limited and Highland Valley Smelting & Refining Ltd., are consolidated in these statements. The excess of cost over book value relating to the acquisition of Frio Oil Ltd. has been allocated to petroleum and natural gas rights.

Currency Conversion

The accounts in U.S. funds, including short-term deposits, were converted into Canadian funds at the rate of exchange applicable at the balance sheet date.

Exploration and Development Costs

Exploration and development costs on the J-A Zone were expensed until it was considered to have economic feasibility, at which time all further costs were capitalized to be written-off after a production decision is made.

Concentrates

Under an agreement which expires February 28, 1973, the Company has sold all of the copper concentrates produced from its present mill. The Company has recently concluded new contracts for the sale of the major portion of its estimated production for the five years ending February 28, 1978.

Depreciation

The buildings, mill equipment and roads are being depreciated on a straight-line basis over their estimated useful life. The mobile equipment is being depreciated on a unit-of-use basis over its estimated productive life.

Petroleum, natural gas, surface and mineral rights are recorded at original cost without amortization.

2. INCOME AND MINING TAXES

The Company's appeal against the denial by the Minister of National Revenue of an application for a tax-free period in respect of its Jersey Mine was allowed by the Trial Division of the Federal Court of Canada. The Minister of National Revenue is appealing the decision of the Trial Division Court and it is anticipated that the appeal will be heard in the Federal Court of Canada, Appeal Division, early in 1973. If the final determination of the matter is in favour of the Company, the Company will receive a refund of federal income taxes amounting to approximately $5,800,000.

The tax refunds which the Company received during the year ended February 28, 1971, on a successful appeal of the 1967 and 1968 Provincial mining taxes, also related to the Jersey Mine. Nil assessments were issued subject to reassessment pending the final decision of the appeals for federal income taxes. The Company's legal representatives are of the opinion that the two matters are unrelated.

The Minister of National Revenue has not confirmed the Company's application for a tax-free period on the Huestis Mine. Until this matter is settled, the Company has provided for, and paid all taxes on profits from the Huestis Mine as well as the Jersey Mine.

3. INVESTMENTS

The Company holds the following investments:

Shares in Other Companies	1972	1971
Ionarc Smelters Ltd.	$ 943,500	$ 943,500
Valley Copper Mines Ltd. (N.P.L.)	1,046,009	1,046,009
Other shares	60,928	60,928
	$2,050,437	$2,050,437
Employee housing, agreements and property	243,107	282,921
Bonds, debentures and miscellaneous investments	150,261	369,638
	$2,443,805	$2,702,996

4. SHARE CAPITAL

The following options to officers and employees to purchase shares of the Company were outstanding as at December 31, 1972:

- 42,500 shares at $ 6.25 per share to December 31, 1977.
- 13,000 shares at $12.50 per share to December 31, 1977.
- 11,000 shares at $13.05 per share to December 31, 1977.

Options for 10,500 shares were exercised during the year ended December 31, 1972, for a total cash consideration of $76,975.

On March 17, 1971, the Company acquired a 55% interest in Frio Oil Ltd. (Frio). During 1972 and pursuant to that agreement, the Company issued 6,000 treasury shares to the vendors and may be required to issue up to 3,000 additional treasury shares prior to June 1, 1973, depending upon the amount of certain exploration expenditures made by Frio. The Company provided $499,800 to be expended by Frio on oil and gas exploration. Frio has agreed to renounce such expenditures in favour of the Company in accordance with the provisions of the Income Tax Act. The amount of such expenditures so renounced for the year ending December 31, 1972 was $143,000, and for the ten months ending December 31, 1971 was $50,700. The Company has the right to purchase an additional 20% of the outstanding shares of Frio.

5. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate remuneration to directors and senior officers for the year ended December 31, 1972 amounted to $407,600.

Auditors' Report

To the Shareholders,
BETHLEHEM COPPER CORPORATION LTD.:

We have examined the consolidated balance sheet of BETHLEHEM COPPER CORPORATION LTD. (a British Columbia company) and subsidiaries as of December 31, 1972, and the consolidated statements of earnings and retained earnings and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding period.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Bethlehem Copper Corporation Ltd. and subsidiaries as of December 31, 1972, and the results of their operations and source and application of funds for the year then ended, in conformity with generally accepted accounting principles which, except for the change in the accounting for exploration and development costs described in Note 1 to the financial statements, were applied on a basis consistent with that of the preceding period.

February 8, 1973.

ARTHUR ANDERSEN & CO.
Chartered Accountants

Summary of Operations

Net operating income	
Investment income	
Depreciation	
Exploration	
Interest on funded debt	
Bond discount and premium	
Taxes on income, including future taxes	
Net income	
Shares issued	
Income per share	
Dry tons milled	
Average tons per calendar day	
Average heads — %	
Pounds of copper produced	
Average price per lb. of copper — U.S. cents	

†Revised to reflect the recovery of prior years' taxes.

**In 1971 the year end was changed to coincide with the calendar year resulting in the report for that fiscal year covering a 10 month period.*

YEARS ENDED								Ten Months Ended*	YEAR ENDED
February 29, 1964	February 28, 1965	February 28, 1966	February 28, 1967	February 29, 1968	February 28, 1969	February 28, 1970	February 28, 1971	December 31, 1971	December 31, 1972
$ 3,311,144	$ 3,571,857	$ 3,114,797	$ 6,933,628	$10,408,226	$13,981,796	$19,364,245	$12,853,752	$ 8,302,896	$ 9,020,264
7,755	8,441	11,342	163,315	256,657	408,533	941,795	2,989,441	2,037,235	1,967,251
3,318,899	3,580,298	3,126,139	7,096,943	10,664,883	14,390,329	20,306,040	15,843,193	10,340,131	10,987,515
237,115	312,773	317,568	483,204	841,605	1,094,468	1,202,409	1,354,326	1,242,980	1,707,093
—	—	—	134,222	390,760	545,569	1,410,068	949,561	1,609,312	455,635
259,220	135,226	30,851	240,273	229,777	20,967	—	—	—	—
—	—	9,167	22,000	31,080	336,744	—	—	—	—
—	—	—	†820,569	†3,393,793	†5,011,576	†7,416,221	6,104,374	3,269,203	3,783,872
496,335	447,999	357,586	1,700,268	4,887,015	7,009,324	10,028,698	8,408,261	6,121,495	5,946,600
$ 2,822,564	$ 3,132,299	$ 2,768,553	$ 5,396,675	$ 5,777,868	$ 7,381,005	$10,277,342	$ 7,434,932	$ 4,218,636	$ 5,040,915
4,270,500	5,201,000	5,211,500	5,222,000	5,261,250	5,346,343	6,360,293	6,367,793	6,381,297	6,397,797
66c	60c	53c	†$1.03	†$1.10	†$1.38	†$1.62	$1.17	66c	79c
1,265,988	1,444,696	2,007,883	3,279,073	4,136,167	5,080,664	5,337,961	5,461,535	4,761,238	5,964,696
3,459	3,958	5,501	8,984	11,301	13,920	14,625	14,963	15,560	16,297
1.06	.89	.69	.60	.58	.58	.52	.51	.52	.54
25,023,892	23,730,516	23,118,998	32,255,986	40,143,527	50,499,680	48,609,230	49,134,555	43,432,094	58,244,020
28.45	31.81	37.06	48.82	49.15	49.15	64.41	58.35	50.73	48.36

Shareholders' Page

Scenes from last year's Annual Meeting

Communication

Information

Observation

The 1972 Annual Meeting held at the Mine premises attracted some two hundred shareholders and others interested in Bethlehem's Highland Valley operations. These photographs typify some events of the day.

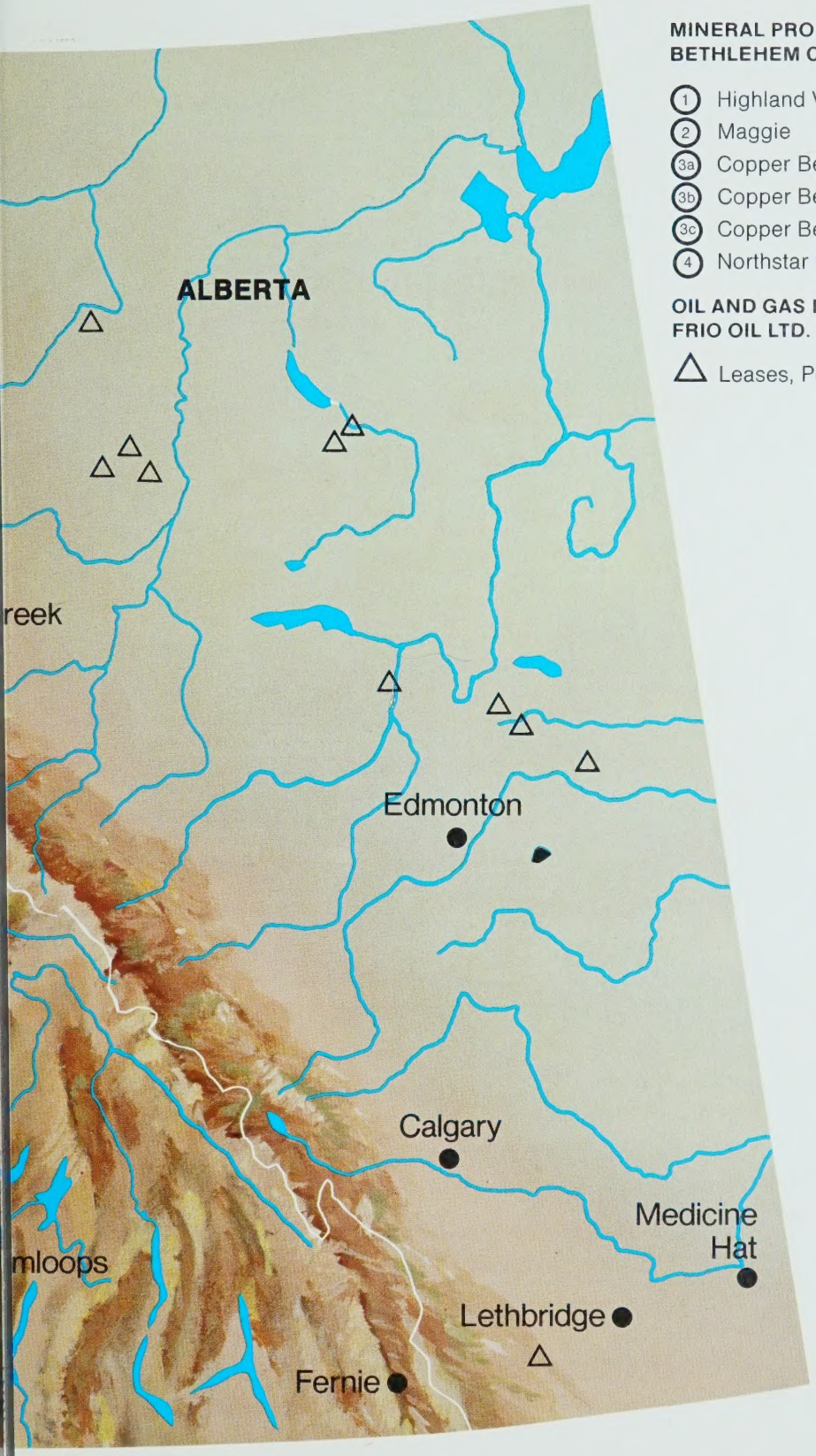
J. C. Greer, Manager, Community Relations

"PIONEERS OF HIGHLAND VALLEY"

Bethlehem's film, "Pioneers of Highland Valley", had its *premiere* at last year's Annual Meeting. The twenty-five minute color sound film records the story of Bethlehem's early struggle in the development of low grade copper deposits in the Highland Valley of British Columbia. Companies or groups interested in viewing the film should contact:

The Community Relations Department
Bethlehem Copper Corporation Ltd.
#2100 - 1055 West Hastings Street
Vancouver 1, B.C.


Atlin
Cassiar
Fort Nelson
Stikine River
BRITISH COLUMBIA
Williston Lake
4
Fort St. Joh
Smithers
Dawso
Prince Rupert
3c
Queen Charlotte Islands
Fraser Rive
Prince George
Quesnel
Pacific Ocean
2
Ashcroft
1
Vancouver Island
Prince
Vancouver



MINERAL PROPERTIES
BETHLEHEM COPPER CORPORATION LTD.

- (1) Highland Valley
- (2) Maggie
- (3a) Copper Belt (North)
- (3b) Copper Belt (Joy)
- (3c) Copper Belt (Smithers)
- (4) Northstar Property

OIL AND GAS PROPERTIES
FRIO OIL LTD.

△ Leases, Permits and Reservations

LITHOGRAPHED IN CANADA

REPORT TO THE SHAREHOLDERS

April - May - June
1972

Second Quarter of Fiscal Year
Ending December 31, 1972

BETHLEHEM COPPER CORPORATION LTD.

Suite 2100, Guinness Tower,
1055 West Hastings Street,
Vancouver 1, B.C.

BETHLEHEM COPPER CORPORATION LTD.

J-A DEVELOPMENT

Planning for production from the J-A orebody is progressing satisfactorily, and we expect the feasibility report to be ready for consideration by the Directors in October. The plans envisage a new mill to process approximately 25,000 tons of ore a day.

J-A DEVELOPMENT COSTS

The cost of developing the J-A ore zone is being capitalized on the books of the Company, and will be amortized over the first twenty years of operation. For income tax purposes the expenditures will be written off as they are incurred. Taxes payable during the development stage will thus be reduced and deferred to future years, resulting in increased cash flow while paying for the J-A development.

CURRENT OPERATIONS

There are two items which have adversely affected our earnings over the past several months. First, exchange loss due to the floating of the Canadian dollar is costing the Company approximately 9% of its gross revenue. Secondly, there has recently been a deterioration of copper prices; however, it would appear that these prices are firming up and we expect gradual improvement for the balance of the year.

SALES CONTRACTS

The present ten-year sales contract expires on February 28, 1973. New contracts have been negotiated for a five-year period ending February 28, 1978, with respect to the production from our present 16,000 ton per day mill. We expect that the smelter which is now under study, if found to be economically feasible, will be in operation at about the same time that the J-A construction is completed. We anticipate no problem in marketing the metal to be produced.

PATRICK M. REYNOLDS
President

July 19, 1972.

SUMMARY OF OPERATING RESULTS

	Three months ended June 30th 1972	Three months ended June 30th 1971	First six months of fiscal year 1972	First six months of fiscal year 1971
Mill feed (dry) — average per calendar day ..... Tons	16,376	15,923	15,510	15,405
Grade of ore — copper ..... %	.53	.51	.52	.51
Concentrate grade ..... %	32.15	31.43	32.60	30.97
Copper produced ..... Pounds	14,322,838	13,124,778	26,591,807	25,274,332
Average copper price per pound ..... U.S.Cents	49.80	52.29	50.71	50.42
CONCENTRATE REVENUE	$ 5,789,550	$ 6,095,551	$11,027,507	$11,320,118
INTEREST INCOME	477,955	617,740	956,690	1,251,314
	$ 6,267,505	$ 6,713,291	$11,984,197	$12,571,432
Production costs and exploration	4,082,652	3,879,075	7,774,642	7,608,852
Income before income and mining taxes ...	$ 2,184,853	$ 2,834,216	$ 4,209,555	$ 4,962,580
Provision for income and mining taxes	903,696	1,264,061	1,742,506	2,213,311
NET INCOME	$ 1,281,157	$ 1,570,155	$ 2,467,049	$ 2,749,269
EARNINGS PER SHARE				
— 6,394,797 shares outstanding	20.0¢		38.6¢	
— 6,374,793 shares outstanding		24.6¢		43.1¢

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	First six months of fiscal year 1972	First six months of fiscal year 1971
Funds were provided from:		
Operations	$ 2,467,049	$ 2,749,269
Add expenses not requiring an outlay of funds —		
Depreciation and amortization	821,845	689,300
Deferred taxes	971,368	253,717
	4,260,262	3,692,286
Proceeds from issue of shares	76,975	68,875
Other	15,286	98,644
	$ 4,352,523	$ 3,859,805
Funds were applied to:		
Dividends	1,917,839	1,911,387
Deferred exploration and development	2,046,951	499,800
Capital assets	1,767,907	547,771
	$ 5,732,697	$ 2,958,958
INCREASE (DECREASE) IN WORKING CAPITAL	$ (1,380,174)	$ 900,847

WORKING CAPITAL

	As at June 30th 1972	As at June 30th 1971
Current Assets	$39,280,197	$40,930,804
Current Liabilities	3,739,008	3,029,033
WORKING CAPITAL	$35,541,189	$37,901,771